



Measuring and optimizing the level of employee engagement and internal service quality. Case: travel agency

Guscina, Olga

2015 Leppävaara



LAUREA
AMMATTIKORKEAKOULU

Uuden edellä

Laurea University of Applied Sciences
Leppävaara

Measuring and optimizing the level of employee
engagement and internal service quality. Case: travel agency

Olga Guscina
Facility Management
Bachelor's Thesis
May, 2015

Olga Guscina

**Measuring and optimizing the level of employee engagement and internal service quality.
Case: travel agency**

Year	2015	Pages	46
------	------	-------	----

In an increasingly competitive world internal customers of organizations became crucial for success. Yet still many companies fail to perform the expected level due to the low commitment of their own employees. Various researches show that many companies worldwide are facing talent shortages and suffer from a serious engagement deficit. The biggest challenges occur in unleashing the power and potential of own people.

The objective of this thesis is to investigate the topic of employee engagement and underline the impact it can have on individual and overall organisational performance. The study is focusing on the human capital of the organisation and value it can add to the service providing company and its external customers.

The theory part of the thesis defines employee engagement and components it includes. It describes the role of internal operating strategy and service delivery system in the service-profit chain. The review of the literature and up-to-date researches presents the ways organizations and line managers can measure and stimulate employee engagement and finally how its development benefits workplace environment and organizational performance.

The results of the practical part of the thesis are based on the research conducted in a travel and tourism service providing company based in the United Kingdom. By using quantitative and qualitative methods covering employee engagement and internal service quality topics it was identified that 36% of employees are not engaged or emotionally committed at the workplace. The main areas causing decrease in engagement level were related to the lack of managerial support as well opportunity for overall growth in the company. Internal service quality gaps were discovered in performing the empathy, tangibles and reliability dimensions which are not meeting internal customer's expectations and are preventing employees from performing their tasks effectively.

Internal marketing tools and activities which are suggested to the case company based on the research analysis will help to develop internal communication channels more effectively and empower employees to optimize their operational effectiveness. The study outcomes are focused towards increasing employee engagement, fostering commitment and creating healthy, efficient and positive workplace environment.

Employee engagement, internal service quality, internal marketing

Table of contents

1	Introduction	5
2	The service-profit chain	6
3	Employee engagement	9
3.1	Employee engagement and business performance	10
3.2	The impact of engagement deficit	12
3.3	Measuring engagement	12
4	Service quality	13
4.1	Measurement of service quality	14
5	Internal marketing	15
6	Research case	15
6.1	Global tourism and hospitality sector	16
6.2	Facing the talent gap	17
6.3	Employee engagement level in the UK	18
6.4	Case environment - Company profile	19
6.5	Methodology	20
6.5.1	Employee engagement survey - findings and issues	21
6.5.1.1	Demographic information / Profile	22
6.5.1.2	Q12	23
6.5.1.3	Engagement model and action areas	27
6.5.1.4	Additional information	30
6.5.1.5	Internal service quality - SERVQUAL	31
6.5.1.6	Internal marketing	32
7	Conclusion	34
	Figures	39
	Tables	40
	Appendixes	41

1 Introduction

No doubt that people today live in a service-dominated economy. Not only constantly using services in our daily lives but also the majority of the world's workforce is now employed in service-related activities. Today's changeable global economy has created both opportunities and challenges for companies around the world. Despite rapidly growing service sector and persistently high unemployment rates, employers still have difficulties filling millions of jobs and retaining own talent.

The key concern for most of the companies became inability to find enough skilled and motivated people which is often referred as a talent gap/talent shortage and engagement deficit. Besides, a lack of focus on development and meeting the needs of their internal customers reduce the overall business performance and increase employee turnover often costing a lot more to a company itself. Service providing companies around the world are challenged in finding, developing, motivating and retaining talent.

In a service business we are dealing with something that is primarily delivered by people to people where all organisations are first internal networks which then participate in external exchange networks. Much of the literature and researches are focusing on the nature of services in terms of how organisation develops and delivers services to its external customers. The concept of service delivery has typically discussed these external relationships often mentioning business to customer or business to business terms. However more often companies worldwide recognize the necessity to develop the initial relationships between employer and employees as it directly leads to improved service quality delivered to external customer.

Several researches across the world have proven that there is a strong link between an engaged workforce and a better service provided to clients, which in turn leads to greater job satisfaction and increased productivity level. However, according to Gallup's study only 13% of employees worldwide, that is about one in eight employees, are emotionally committed and engaged at their workplace (2013, 6). The topic of employee engagement is very up-to-date and highly practical.

The objective of this thesis is to investigate the topic of employee engagement and underline the impact it can have on individual and overall organisational performance. The practical part which consists of quantitative and qualitative research will help to evaluate the present level of employee engagement in the case environment, highlight the main areas causing engagement deficit and identify internal service quality gaps preventing employees from performing their tasks effectively. Based on the areas which require individual attention, the most suitable internal marketing tools and activities will be suggested to the company in or-

der to close the gaps in internal service quality and stimulate employee engagement and commitment.

The practical part is conducted in a company operating in a travel sector. As a major component of this dominant service sector, the travel and tourism industry has experienced rapid development and stable growth since 2010 (WTTC Economic impact World 2014, 11) thus becoming one of the fastest developing industries worldwide. The reasons for choosing this environment is due to growing industry, increased customer demands, competition, and challenges it faces. Service environment within companies of this industry often is complex, with multiple interactions occurring internally.

The research undertaken in this thesis is mainly based on services marketing and human resources management theory. Services marketing as well as human resources management are both well-established areas within industry and as organisational functions they place the needs of their internal and external customers to the core of daily activities. Frameworks and concepts within these areas are commonly used and valuable in understanding the nature of services and parties involved in its successful delivery.

2 The service-profit chain

In customer-oriented, service providing companies service culture is at its core. Norms, values and behaviour of employees in service delivery is strongly influenced by the culture of that company and the way things are done there. (Zeithaml et al. 2009, 348). Service culture is defined as “a culture where an appreciation for good service exists, and where giving good service to internal as well as ultimate, external customers is considered a natural way of life and one of the most important norms by everyone”. (Zeithaml et al. 2009, 349). This definition clearly indicates that for an organization in order to create a service culture it is integral to focus on their internal networks and provide equal attention and quality of service to their own employees as well as external customers.

Service culture is something that cannot be created and developed instantly. It takes effectively applied human resource and internal marketing practices as well as a continuous effort from the management and employees themselves to sustain a service culture. (Zeithaml et al. 2009, 349). It is important to remember that everyone within company provides a service whether to their colleagues, internal customers, or external customer. A strong service culture must begin in a strategic level, where leaders of the company demonstrate the behaviour of service excellence. Thus employees most likely will adopt the service culture and organizational values by seeing an example of their management. (Cook 2011, 33; Zeithaml et al. 2009, 349)

The importance of internal customers in the marketing and delivery system of services is captured in the service marketing triangle, where namely these parties can influence the customer's perception and shape their experience. (Zeithaml et al. 2009, 352) Employees are the ones who represent the brand and act as the marketers of the company's products and services. Employees are the ones who either make it possible or not to deliver the promised service that the company has made to their customers. The services marketing triangle illustrated in the Figure 1 shows three strongly connected parts that have to be taken into consideration when developing, promoting and delivering services. Employee willingness and engagement determines whether company will be successful and stay competitive in the market. (Zeithaml et al. 2009, 354)

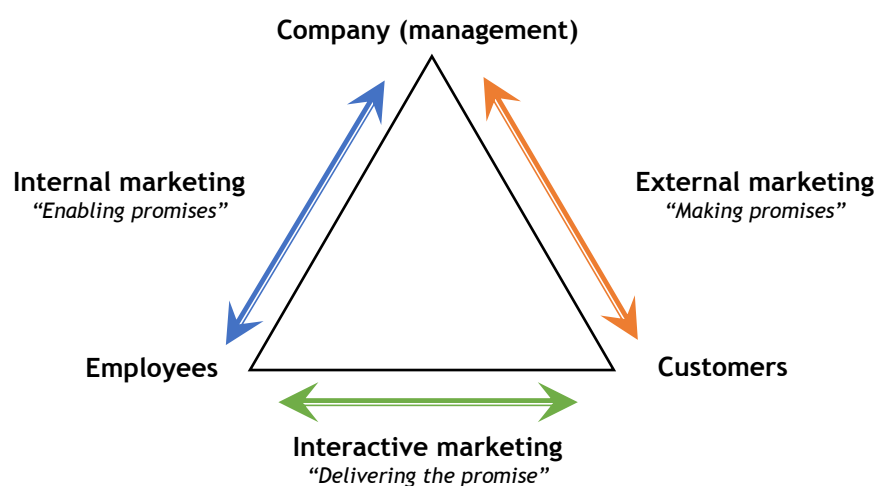


Figure 1: The services marketing triangle (Zeithaml et al. 2009, 353)

Now when it is already established that employees play an integral role in delivering the promised service to the customers, further in this part of the thesis will be explained the link operating strategy and internal service delivery system have on creating engaged workforce leading to delivery of external service value to customers and ultimately better financial performance (profit and growth).

The shift to a service-dominated economy and the opportunities and challenges it implies, made companies realise that the traditional management approach of mainly focusing on market share and setting profit goals will not allow them to grow and stay competitive in the business. Instead, establishing relationships between profitability, customer loyalty, and employee satisfaction, loyalty, and productivity was placed in the centre of the management concern. (Lovelock & Wirtz 2011, 440)

The service-profit chain that was originally published in 1994 in Harvard Business Review by James Heskett and his colleagues (Heskett et al. 2008) and later adapted by various other

researches proposes series of links required to make an organisation successful in a long-term. The presented Figure 2 illustrates the modified model and the components needed to develop sustainable relationships in internal and external service network.

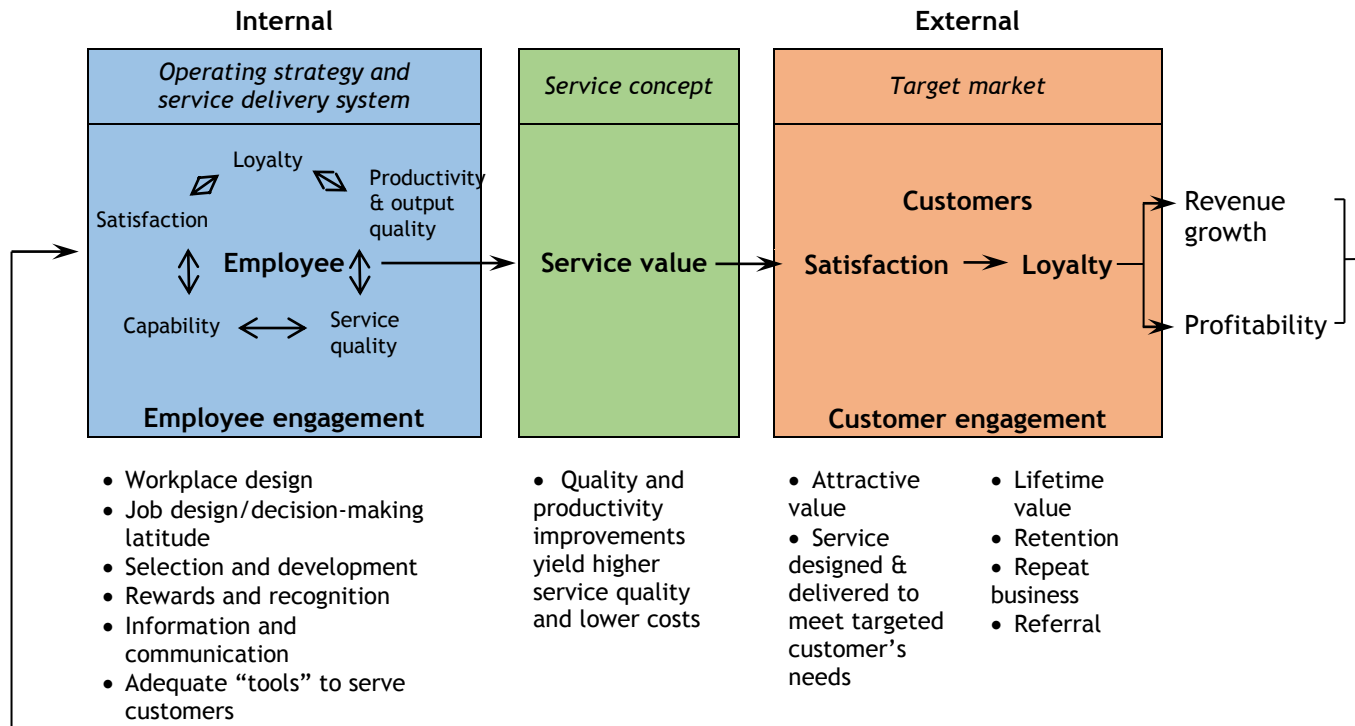


Figure 2: The service-profit chain (Fitzsimmons 2014, 106)

As service companies place the customer in the centre of their focus, thus the application of this model traditionally first considers profitability and growth generated by the loyalty of a customer. According to the Lovelock and Wirtz (2011, 441), customer's satisfaction directly impacts the customer's loyalty. The satisfaction of the clients most often is created not only by receiving the quality service but also from the value they experience from the satisfied and engaged employees. Whereas, employee satisfaction and loyalty is the outcome from the successful operations of the top management and leadership that understands the needs of both the employees and the customers and translates it to high quality support and effective internal marketing initiatives. (Lovelock & Wirtz 2011, 441)

Each member of the chain is engaged in value adding functions which creates the system of elements closely linked together. Every single employee involved is part of the chain providing value to each other and to external customers which in turn impacts on company's outcomes. (Heskett et al. 2003, 19)

Starting the service-profit chain with internal organizational functioning emphasizes the fact that the delivery and the value of the service does not occur by itself. What happens on the inside of the company strongly relates to the quality of the service customers receive. (Schneider & White, 2004, 20) Even when customer expectations are well understood and services have been designed based on their requirements, there still may exist the gaps in the service delivery. Therefore, in this thesis, the service-profit chain model will be used as a tool to highlight the importance of the links between quality management, skilled and engaged employees and successful business performance.

The well-being and satisfaction of employees is often discussed and many companies implement activities to make their work force happy and comfortable at the workplace. Undoubtedly, the satisfaction of employees is important aspect in creating the spirit and maintain the positive culture of the company. However, achieving truly engaged, motivated and excited workforce is much more challenging and often neglected by the companies (Hohnen No date). Yet engaged employees are the ones who can drive the company's profits and growth.

3 Employee engagement

The term of employee engagement became widely used only in the recent years. Yet nowadays there are already more than 50 definitions used to define employee engagement which all differ depending on placed emphasis of various aspects of the subject. Some mostly focus on defining what drives engagement, when other proposed definitions consider the effects engagement has on individual and organisational performance. There are also definitions that concentrate more at the specific players involved, such as the role of the supervisors or, for instance, the part played by top management. (Holbeche & Mattheews 2012, 10). Some of the employee engagement definitions are presented below.

Employee engagement is “the individual’s involvement and satisfaction with, as well as enthusiasm for work” (Harter et al. 2002, 205), “employee’s relationships with the organization, its leadership and their work experience” (Tower Watson 2008). Employee engagement is also often described as the level of intellectual and emotional commitment an employee has for his job and for the vision, goals and company’s values. In other words as Holbeche and Mattheews noted, engagement is both a cause and effect (2012, 11). It involves a relationship between organization and the employee which then directly affects the service quality provided to external customers.

Engaged employees are passionate and energetic. They are usually characterized as people who are willing to give discretionary effort, contribute and get more involved in company’s daily activities, freely go beyond direct job description and determined to succeed and

achieve higher results. (Bakker and Leiter, 2010; MacLeod & Clarke 2009, 13) Engaged staff is company's greatest asset as they are more productive, creative, initiative and provide the better service to internal and external customers. (Holbeche & Mattheews 2012, 7)

Employee engagement, that is often confused with employee satisfaction, is a big step ahead. Responsibly performing the job without complaint and feeling happy at the workplace and satisfied with employer and colleagues does not always mean that employee will be more productive and provide the higher level of service to the customers. (Kruse 2012) Yet still too many companies see these terms as the same things, continuing to measure purely the happiness of the staff with the current job and workplace conditions and missing the chance to learn how much effort the employee is willing to put out and how the top management can stimulate that kind of workforce engagement that would enhance the performance of each single employee, drive innovation and consequently lead to increased business results. (APD Research Institute 2012, 10)

Due to today's turbulent economic environment, employees care about securing their jobs even more. Employees are willing to grow with a company and are already committed performing well and prove that they deserve the position. (Haden 2014) Namely the workplace relationships between employer and his employee shapes the engagement and is fundamental to unlocking potential and productivity of individual. (Holbeche & Mattheews 2012, 7). As Kruse cited (2012) the American businessman Doug Conant "To win in the marketplace you must first win in the workplace." Employee engagement is the key to activating a high performing workforce.

By creating engaged workforce company builds not only positive and motivating workplace environment but also a chain of tangible benefits showing a strong connection between employee engagement and profitability increase. (Bakker and Leiter, 2010) In the next chapter of the thesis will be explained the practical benefits employee engagement can bring to the company.

3.1 Employee engagement and business performance

Measuring the level of employee engagement and internal service quality is important as it is related with business performance. Furthermore, as it was already mentioned, various researches show that improved employee engagement notably correlates with raising the level of performance, linking it with higher productivity of staff, their creativity and innovation. Company with motivated and enthusiastic employees see growth in sales, profit and earnings-per-share, service quality, rapid increase in customer satisfaction and loyalty and decrease in absenteeism and employee turnover. (MacLeod & Clarke 2009, 7, 15)

Employee engagement matters because, first of all, people matter. Employees are not machines and if company will see them as individuals with a set of skills and competences, then they will make the difference and drive the business. (MacLeod & Clarke 2009, 137) It is integral to remember that “the way employers treat employees has a direct effect on how employees treat customers.” (MacLeod & Clarke 2009, 18) Motivation moves people and motivated people will move business.

As an example, a study conducted by Corporate Leadership Council found that companies with higher level of employee engagement grow 2 times faster than similar type of the businesses. In a challenging times those employees are more flexible and supportive and actively take part in the initiatives aimed for organisational change. Another research done by Tower Watson involving 41 multinational organizations discovered that companies with high engagement level had 2-4 per cent improvement in operating margin and net profit margin, in comparison with low engagement companies showing a decline of about 1,5-2 per cent. (Holbeche No date)

The study by Gallup in 2013 found that engagement levels in a company also affects the level of sickness absence which often raise both financial and human resources issues. The analysis discovered that disengaged employees in average take about 6 days per year. That is three times more than highly engagement. (MacLeod & Clarke 2009, 40)

What engages different individuals will vary, depending on their role, life-cycle stage, personal interests, ambitions and goals. The IES/Work Foundation report People and the Bottom Line found that by increasing and strategically allocation financial resources on workplace practices and internal marketing initiatives by only 10 %, the organization can increase profits by £1,500 per employee per year. (MacLeod & Clarke 2009, 21).

The key benefits of employee engagement include better performance, internal and external communication, greater customer satisfaction, more effective team working, greater commitment and consequently lower employee turnover. Engaged employees say, stay and strive. They are speaking positively about the work and the company to their internal and external customers, they are passionate about being a part of the company and are striving to “go the extra mile” to help business achieve success. (Aon Hewitt 2014, 11). As Allan Schweyer stated (2009, 5) “engaged employees work smarter, not harder” constantly looking for the ways to improve performance at the workplace.

3.2 The impact of engagement deficit

“Employee engagement is that elusive state of mind that inspires employees to really care about their work and be motivated to contribute at the highest level.” (Welsh 2014) The key phrase in this sentence is that engagement is elusive and while companies put effort and resources in achieving higher employee engagement, if not managed properly and on a regular basis even the most committed and enthusiastic employees will quickly become disengaged. (Ray 2012)

As it was described earlier employee engagement and company’s financial performance are closely linked together. The more emotionally committed the staff is the better they are likely to work and represent the brand to the clients, thus achieving the higher level of performance on a range of key financial metrics. (Towers Perrin 2008, 2)

If higher engagement is associated with higher performance, the low level of engagement may be costing in terms of lost performance. The created “engagement gap” is often the result of the poor leadership which ultimately leads to a poor management practice, where direct supervisors fail to engage employees. The lack of strong interpersonal skills within the company is often the reason behind many of the factors of disengagement. (MacLeod & Clarke 2009, 36).

Discovering actively disengaged employees is relatively easy. They are most likely will be less productive and show lack of interest for their work or company itself. These type of attitude will directly affect the quality of the work and relationships with co-workers and customers. Unmotivated employees harm the reputation of the company, negatively influence the workplace and often are seeking for employment change. (Higuera No date) While identifying actively disengaged or otherwise very motivated employees is possible by attentive observation and direct communication, measuring the level of engagement and discovering the factors which are causing disengagement is the key challenge companies are facing.

3.3 Measuring engagement

When it comes to measuring employee engagement it is often challenging as the results are based on individual’s feelings and perception, which are subjective. In addition, there is no one agreed definition of the matter, thus making it difficult to develop specific standard analytic tools for measurement purposes. (Horan No date)

Employee engagement does a lot with the mind set of people. Therefore, measuring it is very different comparing with financial information. Yet there have been developed several survey

tools and questionnaires which make it possible to measure the level of employee engagement on a scale or as a percentage. Such tools as Gallup's Q12 or Scarlett surveys allows companies to identify the level of employee engagement as well give a detailed report of prime drivers of engagement or the areas causing its deficit. (MacLeod & Clarke 2009, 14)

Conducting these type of surveys over time can help to track the progress or spot early issues that are arising. To use employee engagement measurement tools can be very beneficial to the company, but to use them on a periodic basis is essential. Well thought survey followed by discussions and actions can help to achieve a deeper level of insight and immediate increase in internal communication as the process of being asked for employee's opinion makes person already feel more valued and involved. (Holbeche & Mattheews 2012, 89)

4 Service quality

Of all the challenges that nowadays service-providing companies are facing, including intense competition, globalization, technological innovation and others, one of the most important challenge is the an increasing demand of customer for service quality. Service quality became one of the key tools for achieving competitive differentiation and stimulating the loyalty of the clients. (Zeithaml & Parasuman 2004, XI)

Unlike goods, which are standardized, service are heterogeneous, which creates a risk of variability of quality. As the process of production and consumption of services is connected with people participation, one of the main characteristics of services is that its quality can change depending on various factors. Thus, making service quality very difficult to control which increase the importance of constant evaluation and development. (Kotler & Armstrong 2010, 269)

Various studies suggest that customer perception of service quality of a company is closely related to internal service quality. Service quality, which is defined as "a measure of how well the service level that is delivered matches customer expectations" (Zeithaml & Parasuman 2004, 1), can also address the internal environment of the company and place in the centre of attention the needs and expectation of company's internal customers/employees and the relationships between internal service suppliers.

As it was presented in the service-profit chain, the internal service quality forms and affects employee's engagement and satisfaction with the workplace, colleagues and employer. Therefore, identifying the dimensions and measuring and improving internal service quality is integral in delivery of external service value.

4.1 Measurement of service quality

As literature is focusing mostly on measuring service quality provided to external customers, there is no one agreed method for measuring the quality of internal networks. However, as internal customers and external customers share many characteristics together, the similar criteria will be applied in measuring internal service quality in the chosen case environment.

Internal service quality can be measured by studying employee's perceptions of the quality of service which they receive from internal suppliers, meaning from their co-workers, direct supervision and top management of the company. It examines the feelings of employees about working environment and the attitudes employees have regarding the job and people they receive or provide the service within the company.

One of the main research instruments that is used for more than 20 years for quantitatively assessing quality in service industry is the SERVQUAL model, developed by Zeithaml, Parasuraman & Berry. (Zeithaml et al. 2009, 111). Initially the SERVQUAL metric suggested ten dimensions of service quality which later was reduced to 5 essential dimensions of service quality that can be applied to all service industries. The five service quality dimensions which have formed the basis of evaluation of service quality are tangibles, reliability, responsiveness, assurance and empathy. (See Table 1) Using survey approach can be detected the internal or external customer's ratings on each of the five dimensions. (Zeithaml & Parasuman 2004, XII).

Dimension	Description
Tangibles	Appearance of physical facilities, equipment, personnel and communication materials.
Reliability	Ability to perform the promised service dependably and accurately.
Responsiveness	Willingness to help customers (colleagues) and provide prompt service.
Assurance	Knowledge and courtesy of employees (co-workers) and their ability to convey trust and confidence.
Empathy	Caring, individual attention the firm provides its customers (internal and external).

Table 1: Service quality SERVQUAL dimensions. (Zeithaml 1990, 26)

The more detailed description of what each dimension represents, the practical application of the SERVQUAL instrument and the way results can be measured will be described further in the practical part of the thesis.

5 Internal marketing

From the services marketing triangle presented earlier it could be seen that internal marketing is a relationship that employer and employee creates. While different organisations call internal marketing different, such as internal communication, human resource initiatives, engagement, the idea and the focus stays the same. The aim of internal marketing strategy and practices is to connect employee with the company's vision and goals by motivating and empowering employees at all levels and enable them to fulfil the promises of the company made to external customer.

Internal marketing is defined as “viewing employees as internal customer, viewing job as internal products that satisfy the need and wants of these internal customers while addressing the objectives of the organisation. (Ahmed & Rafiq 2002, 4). “Internal marketing is attracting, developing, motivating and retaining qualified employees through job-products that satisfy their needs.” (Ahmed & Rafiq 2002, 5)

Customer's relationships and loyalty are based not just from the experience he gets from the single product or service he receives, but from a number of touch-points during the entire customer journey. The exchange between company's internal customers and external markets determines the satisfaction with the service and ultimately defines the financial performance of business. (Marketing schools No date)

Although the main purpose behind internal marketing strategies is to provide better service to the customers, internal marketing practices focus a lot on improving internal communication, increasing internal service quality, training and educating staff and fostering commitment and employee engagement.

6 Research case

The research proposed in this thesis is based on the established theories and empirical facts obtained from reliable studies presented earlier. The theoretical background of the thesis gives a foundation for the data analysis and connects the conducted study in the chosen case environment with an existing knowledge about the employee engagement topic and its effect on individual and business performance.

As it has been already mentioned, the practical part is conducted in a company based in the United Kingdom and operating in a tourism/travel and hospitality sector. To understand the dynamics within the sector, there will be given a summary about latest research done, that

illustrates the development the industry is experiencing as well as challenges companies are facing. Where the most critical ones are related namely with the human capital.

The main objective of the empirical part is aimed on evaluating the present level of employee engagement in the case company, highlighting the main areas causing engagement deficit and identifying internal service quality gaps preventing employees from performing their tasks effectively.

Throughout the research, was created and implemented an employee engagement survey tool, involving various methods that will be presented further in details, which will also allow the company and its line managers measure and stimulate employee engagement and internal service quality on a periodic basis. Based on the survey results and online interview analysis, the company will be provided with internal marketing initiative suggestions aimed on improving the problem areas.

6.1 Global tourism and hospitality sector

The tourism worldwide has become the integral part of national economic development around the world. Various organisations showed a great interest in analysing industry's growth dynamics. The most well-known researches are done by the World Travel and Tourism Council (WTTC) who have been investing in economic impact research for over 20 years. The main goal of the research is to assess and identify the value of the industry's contribution to gross domestic product and employment. In cooperation with research partner Oxford Economics they produce reports and forecasts of the travel and tourism sector's impact. These reports are based on the data obtained from 184 countries and 24 geographic and economic regions in the world. (WTTC Economic impact World 2014, 3)

According to their report from 2013, travel and tourism's total input to the global economy increased, accounting US \$7 trillion that is almost 10 % of global GDP. It was noted that industry is growing faster than other significant sectors such as financial and business services or transport and manufacturing. Same year the study accounted around 266 million jobs that are supported by travel and tourism industry. (WTTC Economic impact World 2014, 3) The continued demand for travel and tourism and its ability to create high levels of employment keep proving the importance and value of this service sector as a tool for economic development and job creation.

Based on the World Travel & Tourism Council's projections, over the ten year period to 2024, the industry is expected to continue growing. In their mid-year report from 2014 it was mentioned that by year 2024 travel and tourism industry will contribute US\$10.8 trillion in GDP to

the world and will support around 346 million jobs globally, that is approximately 10% of the world economy in terms of both gross domestic product and employment. (WTTC Mid-Year Update 2014, 4)

As for the British market, the total contribution of travel and tourism to GDP in 2013 was GBP 170.5 billion or US\$ 269 billion (10.5% of GDP) and it is expected to rise to GBP 238.2 billion or US\$ 363 billion by 2024 (11.1% of GDP). The total contribution of travel and tourism to employment in United Kingdom, was 4,020,000 jobs in 2013 (12.5% of total employment) and is expected to support 4,662,000 jobs (13.4% of total employment) by 2024. This includes employment by hotels, travel agents, airlines, various passenger transportation services, the activities of the restaurant and leisure industries directly supported by tourists and wider effects from investment. (WTTC economic impact United Kingdom 2014, 8-9)

Despite constant growth of the industry and positive impact on economy, analysis by World travel and tourism council jointly with research partner Oxford economics has highlighted a number of challenges strongly focusing on lower employee engagement with a job, talent gaps and skills shortages which are predicted to broaden and deepen over the next decade.

6.2 Facing the talent gap

The travel and tourism service sector supports almost 10% of global employment. The industry is expected to add more than 80 million jobs over the next ten years. (WTTC Mid-Year Update 2014, 4) With current economical, technological, demographics and social trends, comes the ever-increasing demand for more talent. Thus, driving the companies in the industry quickly react to the challenges of an increasingly multi-channel environment. As companies grow and competition increases, it is a global commitment to ensure that employees achieve their full professional potential and companies put effort in closing the unemployment gap. (Weissenberg 2013)

Another study conducted by ManpowerGroup in 2014 revealed that 36% of employers globally (the highest percentage in 7 years) report difficulties in finding and recruiting skilled enough and motivated people. (2014, 2). Human resource managers are challenged in filling positions, therefore, most of the companies that are addressing talent shortages and employee engagement deficit recognize the importance of developing and integrating new people practices. Such practices usually include additional trainings and development to existing employees, providing career advancement possibilities, enhancing benefits and offering flexible workplace environment. (ManpowerGroup 2014, 8)

Hiring managers across the globe are facing challenges related to talent shortages. As identified by employers through ManpowerGroup's research, this issue most likely impact an organization's ability to deliver higher service level to their customer. While approximately 40 % of respondents say failure to fill vacancies reduces competitiveness and productivity of the company. Most of the employers see talent shortages as the reason behind increased employee turnover. Other identified consequences of shortages include reduced innovation and creativity, increased compensation costs and negative impact on employee engagement. (ManpowerGroup 2014, 7) (See Figure 3).

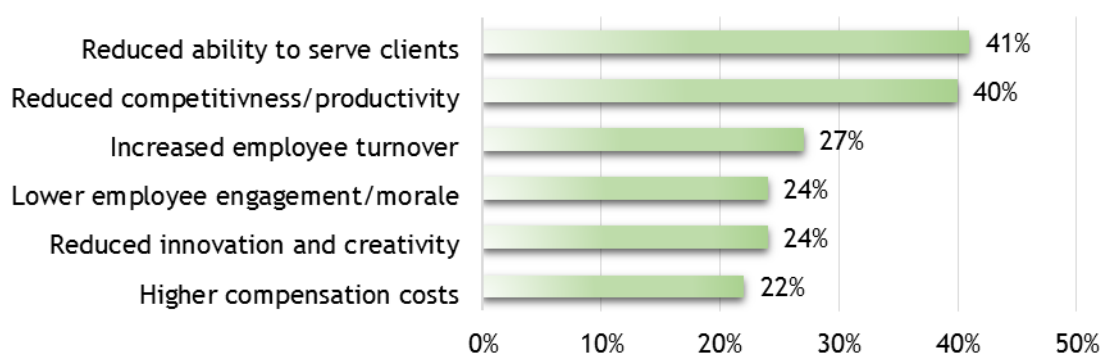


Figure 3: Talent shortages impact on the organisation. (ManpowerGroup 2014, 7)

The continued growth of travel and tourism industry around the world depends on the companies' ability to place right people and through continuous development equip them with the range of skills and motivation needed to meet the demand of today's complex marketplace. (WTTC Human capital 2014)

6.3 Employee engagement level in the UK

While workplace dynamics and organizational culture is unique in every single company. Same the level of employee engagement and the factors and drivers affecting it vary widely across range of various attributes. (Barnett 2015) Prior to looking at the company's profile where the study was conducted, it can be useful to look at the broader perspective on the state of employee engagement in the country where the company is operating.

The travel industry in the British market is highly competitive. Only companies with productive and emotionally committed employees win a better place in business. However, various researches show that more than 80 % of employees in the United Kingdom are not engaged at their workplaces, with only 3 in 10 being engaged. Studies also suggest that the estimated cost of disengagement to the UK economy, as an example in year 2008, was around £64.7 billion. (Holbeche & Mattheews 2012, 9).

The loss of money comes not only from the decreased sales due to the low satisfaction of the customers, but a major issue for most of the companies and not only in the UK but around the world is sickness absence and high employee turnover. Disengaged employees in the UK in average take about 6 to 7 sick days per year, while engaged 2.69. (KPMG 2011) Thus sickness absence affects the country's economy for around £14bn a year according to the Confederation of British Industry (CBI) /Pfizer Absence and Workplace Health Survey conducted in 2013, where around £975 is the cost of absence per one employee. (CBI 2013, 11)

6.4 Case environment - Company profile

In the last few years the topic of employee engagement and internal service quality came to a great attention. With various researches and studies done it proves the matters relevance to the current market situation and practical application. Examples provided in the theoretical part of this thesis demonstrates how pivotal higher level of employee engagement is to sustainable growth and economy of the industries, countries and individual organisations.

Measuring and optimizing the level of employee engagement and internal service quality is the main task companies have to embrace and act upon. However, often even after realizing and willing to improve the level of employees' engagement, managers do not always possess with the right tools and strategies for measuring and identifying the gaps. While large organizations have an access and addition resources to delegate this task to external sources, such as consultants, or have own internal expertise like talent management or well established human resources team, smaller companies are challenged in finding their own approach in measuring and fostering the commitment of their people. (Krantz Taylor No date)

Small and medium-sized enterprises often are out of researchers' focus assuming that employees working in smaller companies are automatically more engaged and committed to performing better. When it comes to small companies, applying changes can be easier and felt much faster as these types of companies do not involve many layers of staff nor complex systems of communication. Yet the process of measurement and identifying the internal service quality gaps is still a challenge.

While supposing that communication flow is better in small companies and engaged and disengaged employees can be identified easier, often the management does not realise the benefit proper planned and implemented employee engagement strategy and tools can bring. Employees are the greatest asset of the company and motivated and engaged employees can really give a company a competitive edge and move it forward.

London based travel agency Lee's Travel recognizes the importance of knowledgeable and emotionally committed people in their team. The company, being active in the market for over 40 years, is still run by the family of its founders has maintained its original ideology of professional and personal service alongside unbeatable value. (Lee's Travel) On the offer to measure the current level of employee engagement, as a part of the Bachelor thesis study, the management of the company responded with great enthusiasm and support.

Lee's Travel is amongst the top Independent Far East, Australia, New Zealand and Worldwide specialists in the United Kingdom. As their competitive advantage they consider offering the most competitive wholesale rates, strong links in the industry and solid commercial relationships with partner airlines, service suppliers and directly the hotels. (Lee's Travel)

According the company's own employee, customers are the core to the business and how they are served from start to finish is crucial, including after care. This leads to repeat clientele, more business and higher profits. "We always try to leave them a good impression by going the extra mile (e.g. booking seats meals and asking for other services) so the client will remember the good service and come and book with us again. Even though it is a highly competitive market we hope the small extras will draw clients to come back and see the 'Added value service'". (Anonymous 2015. Personal communication)

The management of the company states that they have a very knowledgeable and loyal team who throughout the years built good relationships with company's clients/passengers. Employees are committed to work hard to help the company grow. (Anonymous 2015. Personal communication). Although Lee's Travel have not felt/experienced active disengagement or very poor internal service quality, company still faces challenges related to their human capital. The goal of this study is to identify these issues and guide the company towards more customer focused and service-minded performance in internal and external exchange networks.

6.5 Methodology

For measuring employee engagement at Lee's Travel company, both quantitative and qualitative research was used. While it is often easy to tell employees' overall engagement from how they behave, any serious attempt to assess, understand and improve workforce engagement in a company often is challenging and requires survey work and direct discussions with employees.

One of the aims of this study was creating the measurement tool that company can use such as on annual or on a quarterly basis, allowing to collect and analyse data manually without

spending extra resources on external consulting companies and survey platforms. Employee engagement survey done for the Lee's Travel company combines several well established models and methods that gives an opportunity for the smaller size company to identify the level of engagement, improve it, follow the progress and prevent the company from having engagement deficit.

The quantitative study, that was the key element for measuring the level of employee engagement in the case environment, was supported with the qualitative research, namely interviews with four employees of the company working in different position. As the number of employees at Lee's Travel is relatively small, the information collected via this method was sensitive and required a careful analysis. The responses of the interviewers gave additional insight on company's atmosphere and culture. The following part of the thesis describes the methods and models that were used for the research, their application in the study and findings based on the survey and interview analysis.

6.5.1 Employee engagement survey - findings and issues

Following extensive research on the topic of employee engagement and internal service quality and existing measurement tools, I came to conclusion that in order to achieve better results and add more value of the study to the case company it is necessary to create a unique survey tool integrating the best available models and methods and taking into account company's individual culture and requirements.

Therefore, as a part of the study was created the "Employee engagement survey" for Lee's Travel company, which main goal was to identify the present state of employee engagement in the chosen case environment, discover the gaps in internal service quality and find which internal marketing tools are recommended to apply in order to increase employees' productivity and deliver external service value.

The engagement survey was sent to all Lee's Travel employees via email invitation in the beginning of the year 2015. Although the participation was entirely voluntary, employees were encouraged by their direct managers to assist in the research and complete the survey in order to see how motivated employees are at this period and how company can support their internal customers to feel more satisfied with the working environment and emotionally committed to provide better service to colleagues and external customers.

The survey was created in the Word Document and allowed the staff to fill it in and send the answers by 18th of January 2015 directly to my email, thus also ensuring the confidentiality.

The approximate time of completing the survey was 10 minutes, however it could vary greatly due to the last part of the survey which had open-ended questions.

The employee engagement survey was divided on four parts: A, B, C and D. Where A stood for demographic information / respondent's profile, B for employee engagement measures including Q12 and employee engagement and action areas method. This part of the survey also included few additional questions closely related to the employees' perception and satisfaction with the service company provides to them. The C part of the survey was about the internal service quality measurement and the last part D was related to the internal marketing topic.

The structure of the survey was conducted in a way that employees needed to mark the desired response or rate the offered statements regarding their own experience working at Lee's Travel on a scale from 1-5 where 1 is "strongly disagree" and 5 is "strongly agree" or, in some cases, from 1 to 7 where 1 is "strongly disagree" and 7 is "strongly agree". This approach allowed to analyze the data easier and provide the company with statistical information required for employee engagement evaluation and compare results and the periodic basis. Below will be presented the analysis of all four parts of the employee engagement survey conducted in Lee's Travel.

6.5.1.1 Demographic information / Profile

As it was already mentioned in the company's profile description, Lee's Travel is travel agency with a relatively small number of employees. Although in these cases there are mostly used qualitative research like personal interviews, the purpose of this study was to access the engagement level on a scale or percentage as well as look at the other factors from the statistical point of view.

In the period of conducting the survey company had 15 full time employees (were 2 of them were the owners of the company, who did not take the part). The employee engagement survey was sent to 13 employees and 11 filled in forms returned for further analysis. The response rate of the quantitative research was 85 % ensuring the credibility of the research findings at the case environment.

As can be seen from the Table 2 the majority of the survey respondents were female, while 36 % of the study participants were male. 64 % of employee are from the generation x, namely at the age group of 34-49 years old. Lee's Travel stated that employees at their company are knowledgeable and experienced. It can be seen from the fact that more than a half (55 %)

of the survey respondents are employees working at Lee's Travel for more than 10 years, while the rest of the staff has at least 3 years of working experience at the company.

An interesting fact that was learned from the A part of the survey is that 82 % of respondents in a back office/front-line positions have more than 10 years of working experience in the company.

Respondents no.	Gender	Age Group	Years worked at Lee's Travel	Position
Respondent 1	F	18-33	3-5	Back office/front-line employee
Respondent 2	M	34-49	10+	Back office/front-line employee
Respondent 3	M	18-33	10+	Back office/front-line employee
Respondent 4	F	34-49	10+	Back office/front-line employee
Respondent 5	M	18-33	3-5	Back office/front-line employee
Respondent 6	F	34-49	6-10	Back office/front-line employee
Respondent 7	F	50-68	10+	Back office/front-line employee
Respondent 8	F	34-49	3-5	Back office/front-line employee
Respondent 9	F	34-49	10+	Back office/front-line employee
Respondent 10	M	34-49	<1	Management
Respondent 11	F	34-49	10+	Management

Table 2: Demographic information / profile of the survey respondents.

6.5.1.2 Q12

The second part of the survey was the most fundamental in identifying the level of employee engagement. Two different methods were used in the part B. The first one Q12 will be described in this section.

The Gallup Q12 instrument is based on the 12 basic statements (See Table 3) key expectations, which when satisfied, form the foundation of strong feeling of engagement. The model focuses on the things that are important to general employee. It is related to the employee's knowledge of what is expected of him in terms of job performance, then necessity of having the right materials and equipment, opportunity to do what employee in his opinion does best. In the center of importance there is a recognition and praise and feeling that employee is cared by the employer as a human being. One of the most important aspect of employee engagement is development and possibility to express opinion. Q12 model also includes connection with mission of organisation, co-workers commitment to quality work, having a best friend at work and finally possibility to progress and ability to learn and grow within company.

Basic needs	Q01	Expectations	I know what is expected of me at work.
	Q02	Material & Equipment	I have the materials and equipment I need to do my work right.
Managerial support	Q03	Do best	At work, I have the opportunity to do what I do best every day.
	Q04	Recognition	In the last seven days, I have received recognition or praise for doing good work.
	Q05	Cares about me	My supervisor, or someone at work, seems to care about me as a person.
	Q06	Development	There is someone at work who encourages my development.
Teamwork	Q07	Opinions count	At work, my opinions seem to count.
	Q08	Mission / Purpose	The mission or purpose of my company makes me feel my job is important.
	Q09	Quality	My associates or fellow employees are committed to doing quality work.
	Q10	Best friend	I have a best friend at work.
Overall growth	Q11	Progress	In the last six months, someone at work has talked to me about my progress.
	Q12	Learn & Grow	This last year, I have had opportunities at work to learn and grow.

Table 3: Q12 method.

Similarly to Maslow's hierarchy of needs, Gallup's Q12 model focus first on employees' basic needs, such as tools, skills and clear understanding and expectations of the job. Then increases the need for the support from the management and co-workers and finally employee reaches engagement when he has the opportunity to learn and grow within the company and sees the progress the company and employee as individual is having.

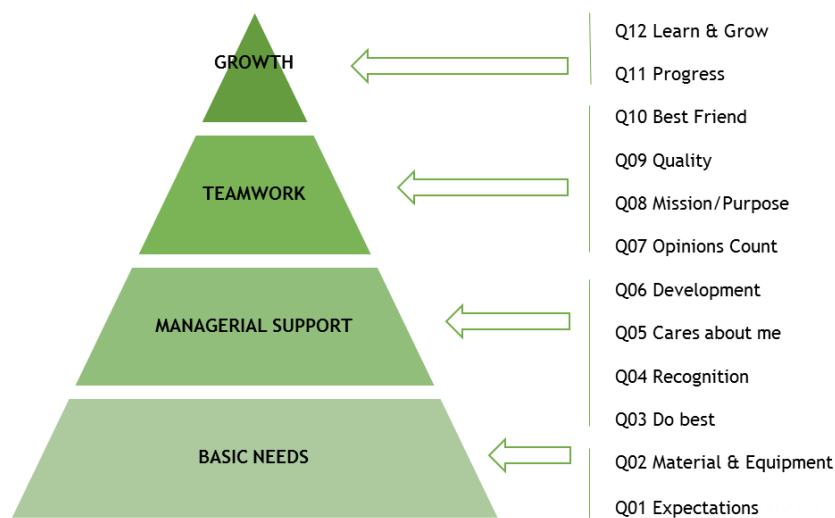


Figure 4: The employee engagement hierarchy.

In order to evaluate the level of Lee's Travel employees' engagement, each respondent needed to rate 12 statements presented earlier from the Q12 model on a scale from 1 to 5 (where 1 is "strongly disagree" and 5 is "strongly agree") and refer them to their own personal experience working at Lee's Travel. The survey scores presented in the Table 4 have been analyzed using Excel formulas. The table shows the average score and percentage of Q12 for each respondent (the sequence of respondent's replies is mixed up to keep the confidentiality) and the average score per employee engagement hierarchy's dimensions.

Q01	Q02	Q03	Q04	Q05	Q06	Q07	Q08	Q09	Q10	Q11	Q12	Average Q12	% Q12	Engagement level	Overall growth	Teamwork	Management support	Basic needs
4	5	3	2	5	5	4	2	2	5	3	4	3.7	73%	Engaged	3.5	3.3	3.8	4.5
5	5	5	3	3	3	4	4	4	2	2	3	3.6	72%	Engaged	2.5	3.5	3.5	5
5	4	4	1	4	3	3	3	4	2	1	3	3.1	62%	Not engaged	2	3.0	3.0	4.5
4	4	3	1	3	2	2	2	3	4	2	3	2.8	55%	Not engaged	2.5	2.8	2.3	4
4	5	4	3	5	4	4	4	4	5	3	4	4.1	82%	Engaged	3.5	4.3	4.0	4.5
5	5	5	3	4	4	4	5	4	3	4	5	4.3	85%	Engaged	4.5	4.0	4.0	5
5	4	4	3	4	4	3	5	4	2	3	4	3.8	75%	Engaged	3.5	3.5	3.8	4.5
4	3	3	1	1	3	3	3	3	1	1	1	2.3	45%	Not engaged	1	2.5	2.0	3.5
4	3	4	2	4	2	4	3	3	3	3	1	3.0	60%	Not engaged	2	3.3	3.0	3.5
5	4	5	3	5	4	4	4	4	3	1	5	3.9	78%	Engaged	3	3.8	4.3	4.5
5	4	3	2	3	3	4	5	3	2	2	5	3.4	68%	Engaged	3.5	3.5	2.8	4.5
4.5	4.2	3.9	2.2	3.7	3.4	3.5	3.6	3.5	2.9	2.3	3.5	3.4						
Basic		Management			Teamwork			Overall										
4.36		3.30			3.39			2.86										

Table 4: Q12 survey scores and analysis

The result of the Q12 method place employees into one of the three categories, namely engaged, not engaged or actively disengaged. As can be seen from the Table 5, the Lee's travel company does not have actively disengaged employees. As those type of workers are most damaging for the workplace.

Scale	Engagement level	No. of employees	%
<33 %	Actively disengaged	0	0
33-66 %	Not engaged	4	36%
>66 %	Engaged	7	64%

Table 5: Division of employees by engagement levels.

64 % of respondents are engaged employees, meaning they are intellectually and emotionally connected with the company, and are willing to beyond the basic job responsibilities in order to delight the customers and drive the business forward. (See Figure 5) These type of employees are competitive advantage of Lee's Travel company as they work not only with passion, but also drive innovation and move the organisation forward. The rest of the respondents,

that is 36 %, fall into the category of ‘not engaged’ or often referred as disengaged employees. These type of employees often can be responsible workers, however they tend to concentrate only on tasks rather than the goals.

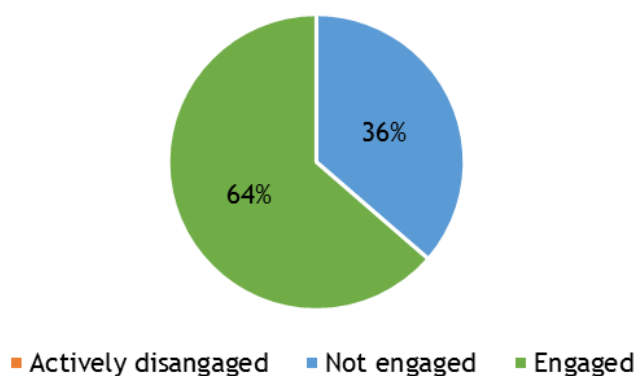


Figure 5: Employee engagement at Lee's Travel

In the Figure 6 presented below can be identified the areas which are causing engagement deficit or otherwise fostering employee commitment. The lowest score 2.2 for the statement Q03 indicates that the majority of company's employees do not feel that they have an ability to use their talents and strengths in the current position. Here comes the manager's job to identify and utilize existing talents to their fullest potential and encourage employees to be honest about their preferences. The highest score from the first two statements 4.2 and 3.9 shows that employees' basic needs and requirements to perform their job is successfully met by the company.

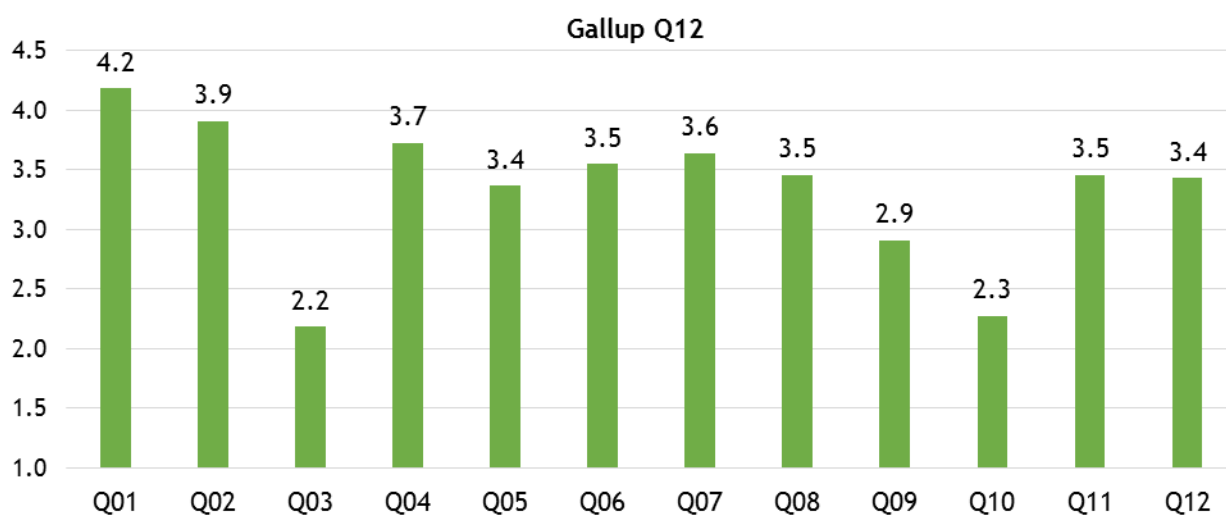


Figure 6: Q12 method results

As for the scores for each dimension of the hierarchy model, company's ability to satisfy the basic needs of employee's received the highest score, namely 4.36. Engaged employees higher evaluate teamwork as well. However, initiatives towards stimulating overall growth (2.86) needs additional attention. While the overall scores are very good at the company, comparing with the employee engagement results in the British market, not engaged employees are still lacking managerial support.

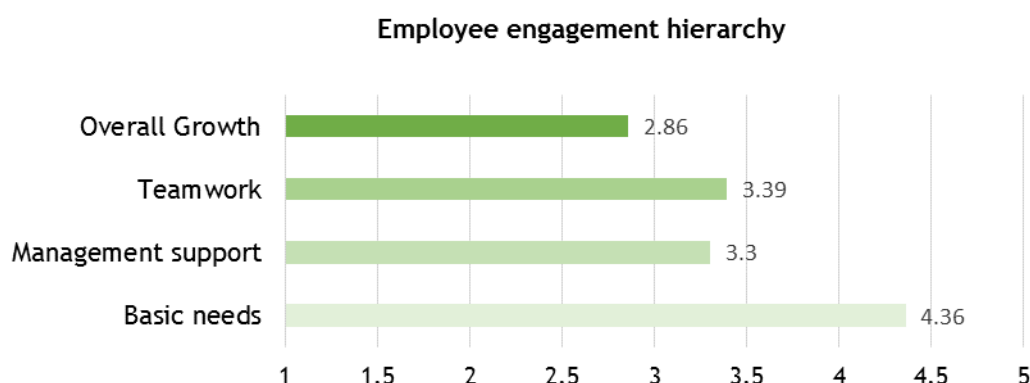


Figure 7: Employee engagement hierarchy scores.

6.5.1.3 Engagement model and action areas

The second section of the part B, is based on the model, proposed by Holbeche and Matthews (2012), that can help managers see what drives engagement in the workplace. While there are many different drivers of engagement, based on the model they all mostly fall into four areas of dynamic interconnection between individuals and company. These are connection, scope, support and voice. (See Figure 8).

Connection defines how strongly employees feel a sense of belonging with their company, both in terms of sharing the same belief or values and in their readiness to follow the direction the organization is heading. Support stands for the practical help, guidance and other resources provided to help people do a great job. Voice is the extent to which people are informed, involved and able to contribute to shaping their work context. And finally the Scope is the degree of opportunity employees have to meet their own needs, to have control over their work and to play to their strengths.

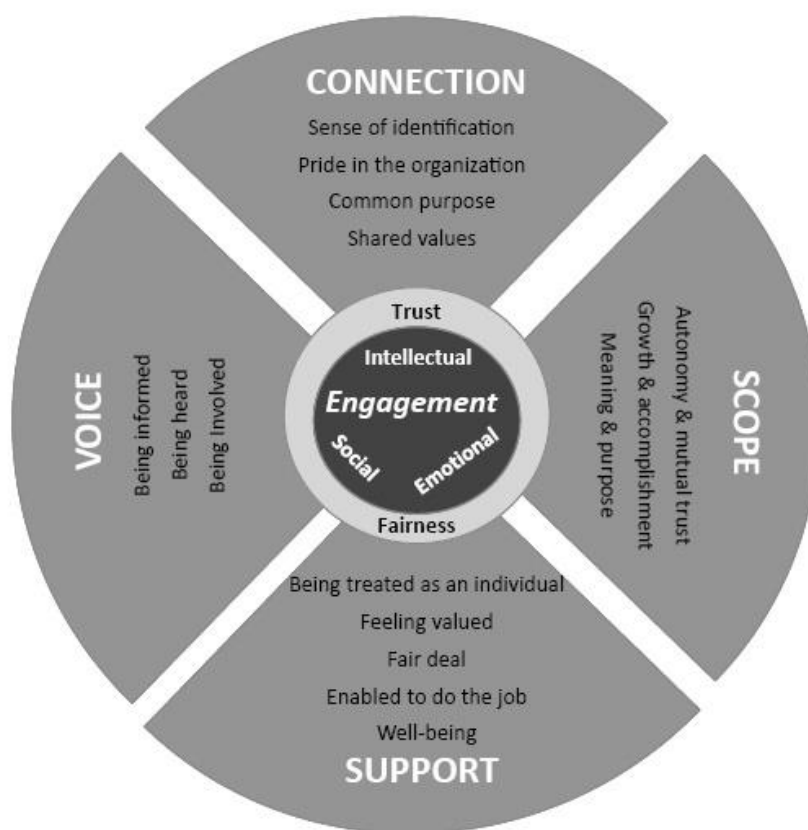


Figure 8: Employee engagement model. (Holbeche & Mattheews 2012, 67)

In the employee engagement survey the described model was used similarly as the Q12 method. Each engagement driver had three statements proposed, which respondent needed to rate from 1 “strongly disagree” to 5 “strongly agree”. (See Table 6)

Engagement driver	Mean	Statement
Connection	CO1	Management provides good leadership and guidance.
	CO2	My work is personally meaningful to me.
	CO3	I have a clear understanding about company's vision, mission and values.
Scope	SC1	I enjoy challenging work assignments that broaden skills.
	SC2	I understand how my work contributes to my company's performance.
	SC3	I can see career advancement opportunities within this company.
Support	SU1	My company gives me an opportunity to develop my skills.
	SU2	I receive recognition and reward for my achievements
	SU3	I feel I am valued as a professional at my workplace
Voice	VO1	I am informed about any planned changes within company
	VO2	I am involved in company's decision-making that affects me
	VO3	There is open, honest communication between employees and managers

Table 6: Engagement model and action areas.

The results of the application of engagement model and action areas in the employee engagement survey are presented in the Table 7 below. The table shows the calculation of the average score each respondent have based on the each engagement driver as well the company's average scores for every driver.

Nr	Engagement level	Connection			Average	Scope			Average	Support			Average	Voice			Average
		CO1	CO2	CO3		SC1	SC2	SC3		SU1	SU2	SU3		VO1	VO2	VO3	
R1	Engaged	2	2	2	2.00	5	5	1	3.67	3	3	4	3.33	2	3	2	2.33
R2	Engaged	5	5	5	5.00	5	5	3	4.33	3	2	4	3.00	4	3	4	3.67
R3	Not engaged	4	4	3	3.67	4	5	1	3.33	3	2	4	3.00	4	3	3	3.33
R4	Not engaged	2	4	3	3.00	3	4	2	3.00	3	1	3	2.33	1	1	2	1.33
R5	Engaged	4	4	4	4.00	4	4	3	3.67	4	4	4	4.00	4	4	3	3.67
R6	Engaged	4	4	4	4.00	5	5	4	4.67	5	4	4	4.33	4	4	4	4.00
R7	Engaged	3	4	4	3.67	4	5	3	4.00	4	3	3	3.33	4	3	3	3.33
R8	Not engaged	1	4	3	2.67	5	5	1	3.67	2	2	1	1.67	2	1	1	1.33
R9	Not engaged	3	1	3	2.33	4	4	1	3.00	2	1	3	2.00	3	3	3	3.00
R10	Engaged	4	5	5	4.67	5	5	5	5.00	5	3	5	4.33	4	5	3	4.00
R11	Engaged	3	4	4	3.67	5	5	4	4.67	3	3	4	3.33	4	5	4	4.33
		3.18	3.73	3.64	3.52	4.45	4.73	2.55	3.91	3.36	2.55	3.55	3.15	3.27	3.18	2.91	3.12

Table 7: Engagement model scores and analysis.

The following figure 9 shows the dynamics between each of the statement. It also shows that with the highest scores employees of the Lee's Travel have evaluated the first and the second statement of the scope driver. It means the most of the respondents feel that they are able to control their own work and they are willing to be regarded as responsible, capable and competent. Employees are willing to feel trusted to do a good job and have a chance to deliver services without being micro-managed. The lowest scores, both 2.55, have receives the statements related to the career advancement opportunities within this company and receiving recognition and reward for employees' achievements.

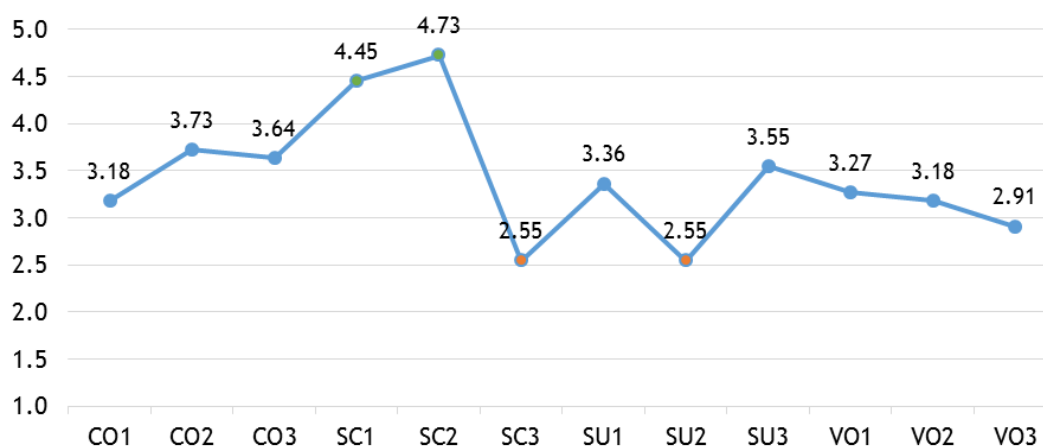


Figure 9: Engagement model's dynamics

After using the Q12 instrument to determine the level of employee engagement, the results were applied to the second section of the B part and linked to engagement drivers. As can be seen from the Table 8 engaged employees, participated in the survey, evaluate each of the engagement driver for about 0.20 higher. That much of the effort the company has to at least implement to turn disengaged employees into engaged.

Engagement level	Connection	Scope	Support	Voice
Engaged	3.52	3.91	3.15	3.12
Not engaged	3.33	3.62	2.95	2.86

Table 8: Satisfaction of engagement drivers based on employee engagement level

All four elements of the model are essential and top management's attention to each of the driver of engagement, namely scope, support, connection or voice, can prevent employees from feeling disempowered or unable to fulfil potential.

6.5.1.4 Additional information

The B part of the employee engagement survey was completed with 4 fundamental questions that gave a better insight on employee's feeling about their job and the company itself. As can be seen from the Figure 10 while 64 % are proud working for Lee's Travel, more than a half that is 55 % have considered changing the employer. 45 % of respondents would not advise the company as a future employer to people they know. The data also shows that employees are often uncertain about their attitude toward the company and whether they are or they are not satisfied with the job.

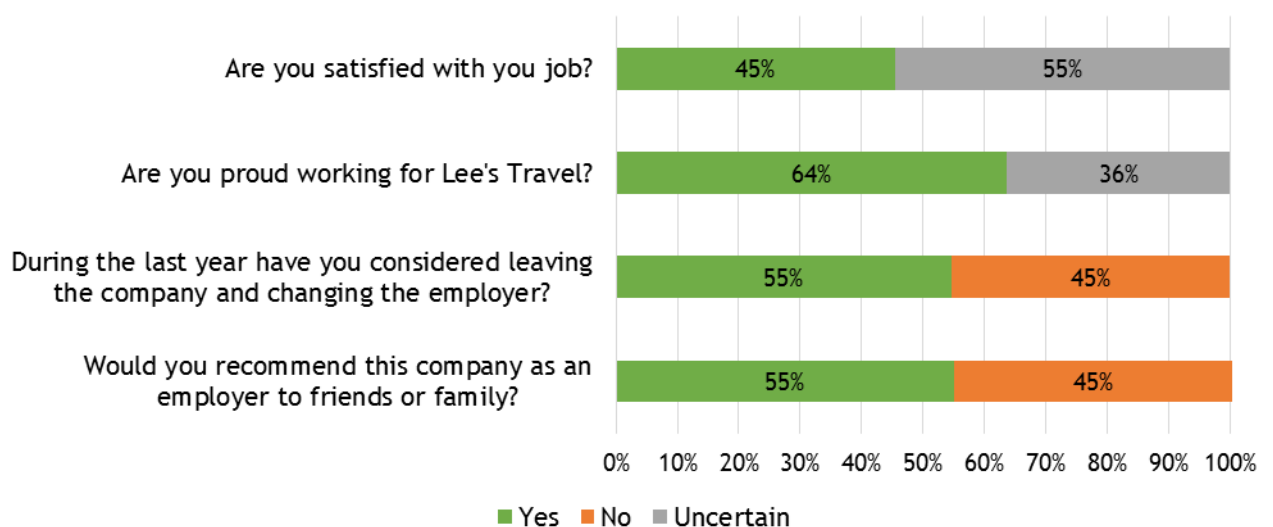


Figure 10: The results of addition questions.

6.5.1.5 Internal service quality - SERVQUAL

When the level of employee engagement was already discovered, the third part of the employee engagement survey covers the measurement of internal service quality and helps in identifying the gaps in service delivery of Lee's Travel internal market. The service quality assessment tool SERVQUAL focused on the areas: Reliability, Assurance, Tangibles, Empathy and Responsiveness.

The respondents were asked on the scale from 1 to 7 where 1 is "strongly disagree" and 7 is "strongly agree" rate 15 statements, three for each dimension, from two different perspectives: in the left column rate the statement based on item's general importance to employee itself in any workplace. While in the second column the employee needed to mark the level of his satisfaction with the matter at Lee's Travel.

Dimension	Statement	Expectation mean	Average for dimension	Perception mean	Average for dimension	Gap score	Gaps per dimension
Tangibles	Having up-to date equipment/software	6.64	6.27	5.36	5.30	-1.28	-0.97
	Working environment is comfortable and attractive	6.27		5.45		-0.82	
	Co-workers have a neat, professional appearance	5.91		5.09		-0.82	
Reliability	Co-workers provide service that is promised	6.82	6.73	5.36	5.45	-1.46	-1.28
	Co-workers are dependable for handling problems	6.64		5.18		-1.46	
	Co-workers are knowledgeable	6.73		5.82		-0.91	
Responsiveness	My communication with co-workers is appropriate, accurate and clear	6.64	6.51	5.91	5.79	-0.73	-0.72
	Co-workers respond quickly and efficiently to my requests	6.45		5.64		-0.81	
	Co-workers are willing to help me	6.45		5.82		-0.63	
Assurance	I can trust my co-workers	6.73	6.67	5.73	5.82	-1.00	-0.85
	I feel safe dealing with co-workers	6.55		5.73		-0.82	
	Co-workers are polite and kind	6.73		6.00		-0.73	
Empathy	Co-workers are sincerely concerned about problems	6.36	6.03	5.55	5.03	-0.81	-1.00
	Co-workers give me individual attention	5.45		5.18		-0.27	
	Co-workers seem to have each other's best interest in mind	6.27		4.36		-1.91	

Table 9: SERVQUAL data analysis

The level of the service quality is represented by the gap between perceived and expected service. The biggest gap -1.28 is related to the reliability dimension and -1.00 for the empathy.

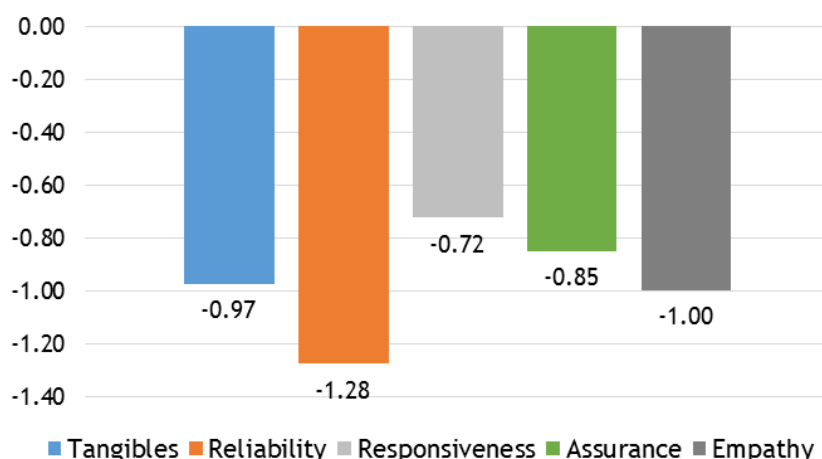


Figure 11: Gap scores by internal service quality dimensions.

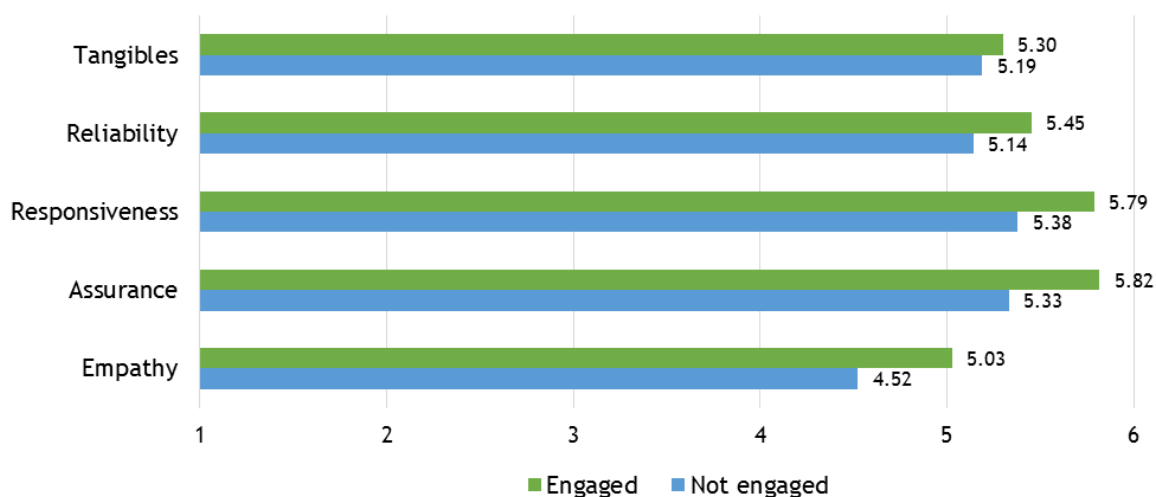


Figure 12: Satisfaction of internal service quality dimensions between engaged disengaged employees.

6.5.1.6 Internal marketing

The final D part of the employee engagement survey included three open-ended questions related to the topic of internal marketing. The main aim of this section was to gain more information on employee's perception of the company's culture and atmosphere, learn what are the internal marketing initiatives implemented at Lee's Travel and what processes or activities in employee's opinion can stimulate their motivation at work and increase job satisfaction.

The responses revealed that even within a small company, working closely together there is a big difference in opinions concerning the internal atmosphere and company's effort in motivating employees.

While most of the employees described Lee's Travel culture as very friendly, family oriented and compared the working atmosphere as a "close knit group of people who get on well and work effectively together", another part of the respondents had a very opposite reaction. The biggest concern employees are having is related to the lack of effective communication and team spirit. And the necessity of having greater transparency and communication between management and employees so that information flows effectively between different departments. As one respondent wrote "relationship may be positive but I don't think communication is very effective".

According to the respondents' comments to the questions, the company does not have employee satisfaction, engagement measures or reward system. There are no felt and visible internal marketing initiatives aimed on motivating, developing and training the staff. The company is implementing monthly sales targets just for the sales department, when reaching those, employees get rewarded with a monetary bonus. Some trainings were provided earlier, however if they were freely offered by product or system providers.

When it comes to defining what employees themselves would need, to have a better motivation and ultimately engagement, the most of the responses of the staff were focusing on the desire and necessity of having proper regular meetings in order to address issues and exchange ideas and knowledge. Employees are willing to have training and get better educated on company's aims and goals, how to provide the higher level of service quality to the customers and the importance of supporting each other.

Lee's Travel employees think that as an internal network of the company providing external service value to the customer, they want to be involved more in working together and know immediately if there are any changes coming. They want to feel that they are part of a bigger group and employer value and appreciate the work and extra effort done. And note that better communication will be the key to feeling better and working better.

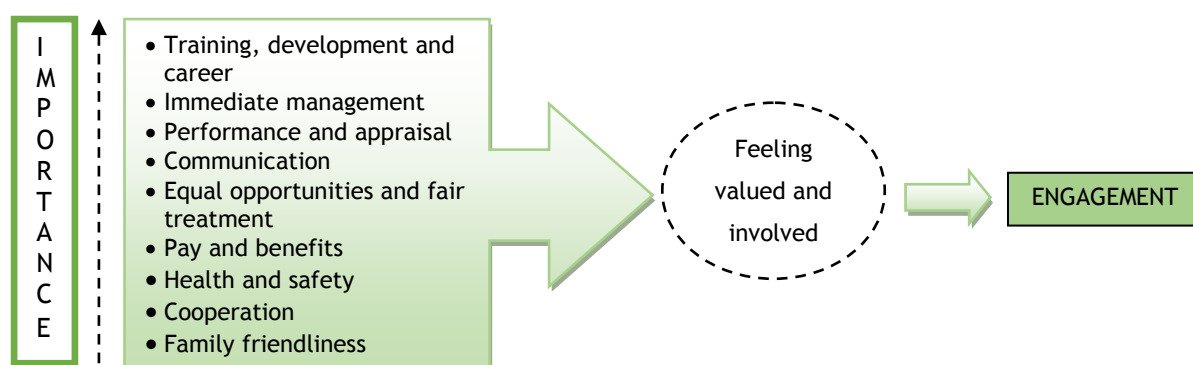


Figure 13: IES model of the drivers of employee engagement. (Holbeche & Mattheews 2012, 75)

The engagement and more specifically employees' desire to be more involved and valued can be achieved by focusing on the engagement drivers shown in the figure above. When employees feel valued, well-informed, involved, trusted and fairly treated, employees are more likely to be engaged and become more effective. (Holbeche & Mattheews 2012, 62)

7 Conclusion

The economic challenges that organisations are facing and increased competition in the market have underlined how traditional means of managing people are no longer effective. Too many businesses underperform because they can no longer count on the commitment of their workforce. More often companies are recognizing that only by treating employees as key stakeholders and engaging them, will help organizations be successful and competitive.

In the modern world, a one-size-fits-all approach to unleashing human potential is no longer practical. Increasingly, the key to a company's success and ability to quickly and effectively adapt to change greatly depends on company's internal relationships and attitude and emotional commitment of employees at all levels.

The main goal of this thesis was to investigate the topic of employee engagement and underline the impact it can have on individual and organisational performance. The purpose of the practical part of the thesis was to evaluate the present level of employee engagement in the case environment Lee's Travel, highlight the main areas causing engagement deficit and identify internal service quality gaps preventing employees from performing their tasks effectively.

The study was supported by various methods and models, including Q12, SERVQUAL quality assessment tool, engagement model and action areas and internal marketing theories. After analysing the results of employee engagement survey it was found that 36 % of company's employees are disengaged, while the rest 64 % demonstrate commitment, involvement and enthusiasm. Engaged employees in Lee's Travel higher evaluate teamwork and basic needs, however overall growth needs to be improved.

Not engaged employees are lacking managerial support as well the opportunity to advance in the company. The internal service quality gaps were related with reliability and empathy dimensions. 64 % of employees state that they are proud working at Lee's Travel, while 45 % of the respondents have considered changing the employer.

The created employee engagement survey tool will help the company not only measure the level of employee engagement but also will assist in identifying the issues of bigger importance to company's internal customers if implemented on a periodic basis and followed by the face-to-face discussions with each individual and the team together. It is crucial to remember that engagement is not a short-term initiative and must be driven from the top of the management.

Company's employees will become engaged when their employers meet their basic needs, create meaningful opportunities to contribute, foster a sense of belonging, and provide chances to learn and grow. The organization should tend to become a community of individuals looking to co-create instead of being the human resources waiting to deliver.

Employee engagement is the link between strategic decision-making and effective execution, between individual motivation and product/service innovation, and between delighted customers and growing revenues. Engagement of employees is linked to high performance, thus it should be initiated from the top of the company which must on constant basis communicate, engage firstly leaders and managers and create a motivation culture in internal service networks. Reinforcing and rewarding, tracking and communicating the progress as well as hiring and promoting the right behaviour and attitude will ultimately lead to employee's creativity and innovation, the better level of employee engagement and service value delivered to external and internal customers.

Creativity and innovation are key to building any successful organizations. But organizational creativity comes from inspiring and leading people. In today's knowledge and service-intensive economies, people are the main source of innovation, production and service excellence. Employee engagement unlocks people's potential and raises their involvement in the business. It increases motivation, productivity, quality and innovation in the workplace. It can raise job satisfaction and psychological well-being. It increases the employee's sense of pride so they become stronger advocates for the company, improving its brand and reputation.

References

Printed sources:

Ahmed, P.K. & Rafiq, M. 2002. Internal marketing. Tools and concepts for customer-focused management. Oxford: Butterworth-Heinemann.

Bakker, A.B. & Leiter M.P., 2010. Work engagement: a handbook of essential theory and research. New York, NY: Psychology Press.

Cook, S. 2011. Customer care excellence: how to create an effective customer focus. 6th edition. London: Kogan Page.

Fitzsimmons, J., Fitzsimmons, M. & Bordoloi, S. 2014. Service management: operations, strategy, information technology. New York: McGraw-Hill.

Gallup. 2013. State of the global workplace report 2013. Employee engagement insights for business leaders worldwide.

Harter, J.K., Schmidt, F.L., & Hayes, T.L. 2002. Business unit level relationship between employee satisfaction, employee engagement and business outcomes: A meta-analysis. Journal of applied psychology vol. 87.

Heskett, L.J., Sasser, E.W. & Schlesinger, A.L. 2003. The value profit chain: treat employees like customers and customers like employees. New York: Free press.

Holbeche, L., Mattheews, G. 2012. Engaged: unleashing your organization's potential through employee engagement. San Francisco: Jossey-Bass.

Kotler, P. & Armstrong, G. 2010. Principles of Marketing. 13th edition. New Jersey: Pearson Education.

Lovelock, C., Wirtz, J. 2011. Services marketing: people, technology, strategy. 7th edition. Boston, MA: Pearson.

Schneider, W., White, S. 2004. Service quality: research perspectives. Thousand Oaks, CA: Sage Publications.

Zeithaml, V.A., Bitner, M. & Gremler, D. 2009. Services marketing: integrating customer focus across the firm. 5th edition. New York: McGraw-Hill.

Zeithaml, V.A. & Parasuman, A. 2004. Service quality. Cambridge: Marketing Science Institute.

Zeithaml, V.A., Parasuman & A. Berry, L.L. 1990. Delivering quality: balancing customers perceptions and expectations.

Electronic sources:

Aon Hewitt. 2014. 2014 trends in global employee engagement 21 February 2015.
<http://www.aon.com/attachments/human-capital-consulting/2014-trends-in-global-employee-engagement-report.pdf>

APD Research Institute. 2012. Employee satisfaction vs. employee engagement. Are they the same thing? An APD white paper. Accessed 29 April 2015.
<http://www.adp.com/~media/RI/whitepapers/Employee%20Engagement%20vs%20Employee%20Satisfaction%20White%20Paper.ashx>

Barnett, J. 2015. The 1 driver of employee engagement is. It depends. Accessed 14 May 2015.
<http://www.glintinc.com/blog/1-driver-employee-engagement-depends/>

Cataldo, P. 2011. Focusing on employee engagement: how to measure it and improve it. Accessed 21 December 2014.
<http://www.kenan-flagler.unc.edu/executive-development/about/~media/E93A57C2D74F4E578A8B1012E70A56FD.ashx>

CBI. 2013. Fit for purpose. Absence and workplace health survey 2013. Accessed 21 April 2015.
http://www.cbi.org.uk/media/2150120/cbi-pfizer_absence___workplace_health_2013.pdf

Earl, D. 2004. What is internal customer service? Accessed 18 December 2014.
<http://www.donnaearltraining.com/Articles/InternalCustomerService.html>

Haden, J. 2014. 10 reasons employees really care about their job. Inc. Accessed 25 March 2015.
<http://www.inc.com/jeff-haden/10-reasons-employees-really-care-about-their-jobs.html>

Heskett, J., Jones, T., Loveman, G., Sasser, E., & Schlesinger, L. 2008. Putting the service-profit chain to work. Harvard business review. Accessed 21 January 2015.
<https://hbr.org/2008/07/putting-the-service-profit-chain-to-work>

Higuera, V. No date. Loss Due to Unmotivated Employees. Accessed 22 May 2015.
<http://smallbusiness.chron.com/loss-due-unmotivated-employees-36790.html>

Hohnen, M. The service profit chain. Accessed 21 January 2015.
<http://mikehohnen.com/services/the-service-profit-chain/>

Holbeche, L. No date. Employee engagement as key to recovery: the management challenge. Accessed 21 April 2015.
<http://www.mbsportal.bl.uk/taster/subjareas/hrmemployrelat/britishlibrary/engagement13.aspx>

Horan, L. No date. 6 tips for successfully measuring employee engagement. Accessed 24 February 2015.
<http://www.businessbee.com/resources/operations/6-tips-for-successfully-measuring-employee-engagement/>

KPMG. 2011. The real value of engaged employees. New thinking on employee engagement strategies. Accessed 14 April 2015.
<https://www.kpmg.com/US/en/IssuesAndInsights/ArticlesPublications/Documents/real-value-of-engaged-employees.pdf>

Krantz Taylor, B. No date. Employee engagement impacts small companies. The Bailey group. Accessed 20 May 2015.
<http://thebaileygroup.com/employee-engagement-impacts-small-companies/>

Kruse, K. 2012. What is employee engagement. Accessed 21 December 2014.
<http://www.forbes.com/sites/kevinkruse/2012/06/22/employee-engagement-what-and-why/>

Lee's Travel. About us. Accessed 25 May 2015.
<http://www.leestravel.com/pages/about-us>

MacLeod, D., Clarke, N. 2009. Engaging for success. Accessed 28 December 2014.
<http://dera.ioe.ac.uk/1810/1/file52215.pdf>

ManpowerGroup. 2014. The talent shortage continues. How the ever changing role of HR can bridge the gap. Accessed 20 December 2014.
http://www.manpowergroup.com/wps/wcm/connect/0b882c15-38bf-41f3-8882-44c33d0e2952/2014_Talent_Shortage_WP_US2.pdf?MOD=AJPERES&ContentCache=NONE

Marketing schools. No date. Internal marketing. Explore the strategy of internal marketing. Accessed 24 May 2015.
<http://www.marketing-schools.org/types-of-marketing/internal-marketing.html>

Ray, B. 2012. Breaking off the engagement: study shows that even loyal employees become jaded if not treated well. Accessed 21 May 2015.
<http://news.fsu.edu/More-FSU-News/24-7-News-Archive/2012/May/Breaking-off-the-engagement-Study-shows-that-even-loyal-employees-become-jaded-if-not-treated-well>

Schweyer, A. 2009. The economics of engagement. Human Capital Institute. Accessed 16 February 2015.
http://www.incentivecentral.org/pdf/Final_Economics_of_Engagement.pdf

Tower Perrin. 2008. Closing the engagement gap. A roadmap for driving superior business performance. Accessed 15 February 2015.
https://c.ymcdn.com/sites/www.simnet.org/resource/group/066D79D1-E2A8-4AB5-B621-60E58640FF7B/leadership_workshop_2010/towers_perrin_global_workfor.pdf

Weissenberg, A. 2013. 2014 Travel, hospitality and leisure outlook. Accessed 20 December 2014.
<http://www2.deloitte.com/us/en/pages/consumer-business/articles/2014-travel-hospitality-and-leisure-outlook.html>

Welsh, I. 2014. How important is manager engagement to business success? Accessed 21 May 2015.
<https://ianclive.wordpress.com/2014/11/>

WTTC World Travel and Tourism Council. 2014. Economic Impact of Travel & Tourism 2014 Mid-Year Update, October 2014. Accessed 20 December 2014.
<http://www.wttc.org/focus/research-for-action/economic-impact-analysis/>

WTTC World Travel and Tourism Council. 2014. Human capital. Accessed 20 December 2014.
<http://www.wttc.org/focus/research-for-action/policy-research/human-capital/>

WTTC World Travel and Tourism Council. 2014. Travel & Tourism economic impact 2014 World. Accessed 20 December 2014.
<http://www.wttc.org/focus/research-for-action/economic-impact-analysis/>

WTTC World Travel and Tourism Council. 2014. Travel & Tourism economic impact 2014 United Kingdom. Accessed 20 December 2014.
<http://www.wttc.org/focus/research-for-action/economic-impact-analysis/country-reports/>

Figures

Figure 1: The services marketing triangle (Zeithaml et al. 2009, 353)

Figure 2: The service-profit chain (Fitzsimmons 2014, 106)

Figure 3: Talent shortages impact on the organisation. (ManpowerGroup 2014, 7)

Figure 4: The employee engagement hierarchy.

Figure 5: Employee engagement at Lee's Travel.

Figure 6: Q12 method results.

Figure 7: Employee engagement hierarchy scores.

Figure 8: Employee engagement model. (Holbeche & Mattheews 2012, 67)

Figure 9: Engagement model's dynamics.

Figure 10: The results of addition questions.

Figure 11: Gap scores by internal service quality dimensions.

Figure 12: Satisfaction of internal service quality dimensions between engaged disengaged employees.

Figure 13: IES model of the drivers of employee engagement. (Holbeche & Mattheews 2012, 75)

Tables

Table 1: Service quality SERVQUAL dimensions. (Zeithaml 1990, 26)

Table 2: Demographic information / profile of the survey respondents.

Table 3: Q12 method.

Table 4: Q12 survey scores and analysis

Table 5: Division of employees by engagement levels.

Table 6: Engagement model and action areas.

Table 7: Engagement model scores and analysis.

Table 8: Satisfaction of engagement drivers based on employee engagement level.

Table 9: SERVQUAL data analysis.

Appendixes

Appendix 1: Employee engagement survey	42
Appendix 2: Employee engagement survey email invitation	46

Appendix 1: Employee engagement survey

Employee engagement survey

Thank you very much for taking part in this survey. Please consider each statement carefully to determine how you feel about the subject matter personally as an employee of Lee's Travel.

To mark the desired response tick the box ☐.

A. Demographic information/Profile

1. Gender

- ☐ Male
☐ Female

2. Age group

- ☐ 18-33
☐ 34-49
☐ 50-68

1. How long have you been working for Lee's Travel?

- ☐ Less than 1 year
☐ 1-2 years
☐ 3-5 years
☐ 6-10 years
☐ 10 + years

2. Position in company

- ☐ Management
☐ Back office/front-line employee

B. Employee engagement

Rate the following statements regarding your own experience working at Lee's Travel.

Scale 1-5 where 1 is "strongly disagree" and 5 is "strongly agree".

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	2	3	4	5
1. I know what is expected of me at work.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. I have the materials and equipment I need to do my work right.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. At work, I have the opportunity to do what I do best every day.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4.	In the last seven days, I have received recognition or praise for doing good work.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	My supervisor, or someone at work, seems to care about me as a person.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	There is someone at work who encourages my development.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	At work, my opinions seem to count.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	The mission or purpose of my company makes me feel my job is important.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	My associates or fellow employees are committed to doing quality work.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	I have a best friend at work.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.	In the last six months, someone at work has talked to me about my progress.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	This last year, I have had opportunities at work to learn and grow.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.	Management provides good leadership and guidance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	My work is personally meaningful to me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.	I have a clear understanding about company's vision, mission and values	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.	I enjoy challenging work assignments that broaden skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.	I understand how my work contributes to my company's performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18.	I can see career advancement opportunities within this company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.	My company gives me an opportunity to develop my skills.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20.	I receive recognition and reward for my achievements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21.	I feel I am valued as a professional at my workplace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22.	I am informed about any planned changes within company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23.	I am involved in company's decision-making that affects me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.	There is open, honest communication between employees and managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

25. Are you satisfied with your job?

☐ Yes ☐ No ☐ Uncertain

26. Are you proud working for Lee's Travel?

☐ Yes ☐ No ☐ Uncertain

27. During the last year have you considered leaving the company and changing the employer?

☐ Yes ☐ No

28. Would you recommend this company as an employer to friends or family?

☐ Yes ☐ No

A. Internal service quality

On the scale from 1 to 7 where 1 is “strongly disagree” and 7 is “strongly agree” rate the following statements from two different perspectives:

In the left column rate the statement based on item's general importance to you in **any work-place**. In the second column mark the level of your satisfaction with the statement **at Lee's Travel**.

[illegible]

A. Internal marketing

Internal marketing is “the ongoing process whereby an organization aligns, motivates and empowers employees at all functions and levels to consistently deliver a positive customer experience that helps achieve business objectives”

D1. What internal marketing activities are implemented at Lee’s Travel? (Trainings, reward system, employee feedbacks etc.) How company motivates you to perform and serve customers better?

D2. What processes or activities in your opinion can stimulate your motivation at work and increase job satisfaction?

D3. In few words describe the overall atmosphere at work and company’s culture.

Thank you for completing the survey!
Please, do not forget to save the document and return to
Olga.Guscina@laurea.fi

Appendix 2: Employee engagement survey email invitation

Dear Lee's Travel Employee,

My name is Olga Guscina and I am graduating Hospitality Management student from Laurea University of Applied Sciences in Finland. Laurea produces new competences in the field of service innovations and carries out professionally orientated education, regional development and R&D activities.

As a part of my graduation thesis I am conducting a research focusing on employee engagement subject. The main goal of the study is to identify the present state of employee engagement in the chosen case environment (Lee's Travel), discover the gaps in internal service quality and identify strengths and weaknesses related to its dimensions. In addition, the results of the survey will help to identify which internal marketing tools are recommended to apply in order to increase employees' productivity and deliver external service value.

Your assistance and input is very important and will be greatly appreciated. All individual responses will remain strictly confidential. "Employee engagement survey" is attached to this email. It is estimated the survey will take approximately 10 minutes to complete. Please return the completed survey to Olga.Guscina@laurea.fi.

Thank you in advance for your time and support and feel free to contact me if you have any questions or concerns.

Sincerely,
Olga